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~~SECRET~~STATEMENT BY THE U.S. DELEGATE (MR. LUDDEN)REWORK OF CHINA COMMITTEEDecember 4, 1952

I believe it is not necessary to review the circumstances which impelled the creation of this Committee. The recognition of the need for such a body was fully expressed in the report of the Five Power talks in Washington last July and the resolution of the Consultative Group in Paris last September. The record of these meetings shows, however, that the United States agreed to very substantial modifications of its original position as to the most desirable organization, in the expectation that this Committee, when created, would deal with the problems involved with efficiency and despatch.

While my Government's own policy on the matter of security controls against China is well known to you as one of virtually complete embargo, we are cognizant of the terms of reference of the Committee as laid down by the Consultative Group and of the difficulties faced by other countries in pursuing such a course of action. I should like to take this opportunity to assure you that we enter this endeavor prepared to develop common measures from facts as we jointly ascertain and analyze them, realizing, of course, that we are here to consider those restrictive measures which will best serve our common security objectives. It is our hope that after a full study of the facts this Committee will come to regard the whole China problem of strategic trade controls in substantially the same manner as the United States.

To my Government the China trade control problem includes aspects similar to those found in the European Soviet Bloc situation, while at the same time including a number of special aspects. Whatever may be the eventual evolution of China's political organization and orientation, we here must deal in practical and immediate terms. China is a vast land mass bordering upon or adjacent to important segments of the Free World and also the Soviet Union. It has important resources, a powerful military force, and possibly the world's largest population. Of more immediately direct concern, however, China has undeniably important, if not overriding, economic, military and ideological ties to the Soviet Union.

China is, however, a comparatively undeveloped area, especially in terms of basic materials, industrial capacity and production, technological advancement and efficiency, utilities and internal and external transportation. For these reasons alone its war potential is geared more closely and in different ways than the rest of the Soviet Bloc to importations of materials and end-products for direct military or military-support uses. The nature of the Chinese economy is such that an item of little strategic importance to the European Soviet Bloc could be of considerable significance in China, and this aspect alone requires careful evaluation. The same is true with regard to items which take on special strategic significance in a situation involving actual hostilities such as we are now facing in Korea.

Chinese aggression in Korea has faced us all with an especially urgent situation in considering strategic trade with China. This is not only because goods moving to China - directly or indirectly - are likely to be used more fully and

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more immediately in support of aggression against the Free World, but also because the moral and political issues involved in strategic trade with China have been heightened by the existence of hostilities in Korea and the United Nations' recognition of Chinese aggression there.

In considering strategic trade controls with regard to China, the actual existence of hostilities in Korea is not the only governing factor. Chinese aggression in Korea in final analysis is but the most obvious, current manifestation of the aggressive, expansionist designs of a brutal political ideology now controlling China. The leaders of the present Chinese regime are thoroughly imbued with aggressive doctrines interpreted and promulgated by the Kremlin and firmly convinced that these doctrines are correct and must be brought to prevail not only in Asia, but throughout the world. It seems hardly necessary to bring to your attention recent developments on the Asiatic mainland, particularly with regard to Burma, Malaya - in fact, Southeast Asia generally. I am sure you have all noted recent press accounts of the capture of Soviet military equipment in the hands of Viet Minh rebels in Indo-China. It is only reasonable to assume that this equipment reached its destination via the recently completed extension of the Kwangsi Railway to the Indo-China border, and it may be well to give thought to the likelihood of this particular extension having been made possible by equipment of western origin.

Thus a cessation of actual hostilities in Korea by an armistice agreement would not of itself mean the end of the problem with which this Committee is concerned. It would be presumptuous here to attempt to pre-judge post-armistice conditions, but until there is some concrete indication that the aggressive, expansionist designs of the Communist regime in China have shown fundamental change, it seems to us that the nations of the Free World would have to continue to take all practicable steps in their own mutual defense interest to avoid contributing to the development of the strength of a regime which embraces, and advocates as a matter of policy, the doctrine of infiltration, subversion and overthrow of peaceful neighbors.

In any event, we feel that the Committee should proceed with its work on the basis of existing conditions, taking into account the special aspects represented by the existence of Chinese aggression, the potentiality of further aggression and the nature of the Chinese economy. We further feel that the Committee should take into account various other special conditions which bear on the practical aspects of developing and implementing strategic controls on China trade. We have in mind such conditions as:-

- (a) Smuggling, which is greatly facilitated by geographical factors and which has tended to account for a significant part of China's imports.
- (b) The highly organized techniques of Chinese procurement abroad, which has been making extensive use of subterfuge to evade other countries' controls.
- (c) The special situations of Hongkong and Macao as supply and trans-shipment centers for the China trade.

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- (d) The control situations in various other Far Eastern areas which have been or could be points of re-export or trans-shipment to China.
- (e) The various aspects of the maritime shipping problem, which has already been discussed in some detail in the Coordinating Committee.

This, in brief, outlines the major elements of the China trade problem as we see it. We expect to supply detailed information relative to these elements soon and from time to time thereafter. Undoubtedly other members of the Committee will have other points to suggest and, we hope, will be prepared to pool information on the whole problem. In particular we look forward to very useful contributions by Governments which have had considerable first hand connection or other experience with the problem.

In the meantime, our own specific suggestions for getting on with the Committee's work will now be outlined by Mr. Berger, who has been made available to our Delegation as a specialist on Far Eastern trade matters.

~~SECRET~~SUPPLEMENTARY STATEMENT BY THE U.S. DELEGATE (MR. BERGER)

RE
WORK OF THE CHINA COMMITTEE
December 4, 1952

Mr. Ludden has already outlined our view of the China security export control problem, of the particular factors to be considered in working out solutions, and of what has been accomplished thus far. I would like now to present our views on how to proceed with the work of the Committee, in line with such further directives as may emanate from the Consultative Group and such referrals and proposals as may be received from the Coordinating Committee. We are here, I believe, principally as specialists in matters of Far Eastern trade, for the purpose of contributing our technical competence to the development of common measures in relation to the China trade.

The Coordinating Committee has already developed a considerable body of measures and information related to the problem of strategic controls. This has, however, been largely developed in terms of the situation in the European Soviet Bloc. This is, to a large extent, transferable to and of use in the activity of this Committee. Nevertheless it does not fully reflect the various special factors in the China situation, and raises for consideration the question as to the extent that the existing controls and data are appropriate and adequate to the China situation, and the related question of what adjustments would be in order.

On the control side, the Coordinating Committee has already made considerable progress by establishing its China Embargo List, and we assume that further consideration of this in the China Committee will throw further light on these questions.

On the data side, we believe the Committee should develop a pool of additional information concerning the special aspects of the China situation. Such information, we believe, would be extremely useful both in developing and understanding the overall aspects of the China trade situation as it bears on our problems and in terms of determining specific commodity usages, or the feasibility and best methods of application of specific measures. This information might consist of material developed by the member governments themselves or derived from commercial sources. As examples of the information desired and its applicability, we might bring together materials on trade agreements, the Moscow Conference, solicitations from foreign suppliers, Chinese import and tariff regulations, and actual trade movements in order to ascertain Chinese high priority purchasing requirements. These requirements, as determined, would in turn serve as an indicator of items with respect to which we ought to carry on a further informational review on Chinese industrial operations, mining, utilities, and transportation, and end-product-uses to determine the extent to which such items are likely to be devoted to military or military-support uses.

Looking at the matter as a whole, it seems to us that the Committee should undertake two parallel lines of action. One line of action would be to collect and analyze information

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as a guide for the general operation of the Committee. The other line would be to proceed now with receiving and considering specific measures on the basis of the information already available or brought into the discussion on those measures. With this approach in mind, we suggest the following specific steps be taken by the Committee (in addition, of course, to early agreement on the matter of providing for the Secretariat budgetary needs):

1. Receive and consider the early views of the other member governments on the nature of and general approach to the China trade problem.
2. Schedule an early meeting to consider the matter of pooling and analyzing basic information on the China problem.
3. Invite member governments to keep the Committee informed, as currently as possible, of significant interest shown by Chinese traders in specific commodities, whether or not under international control.
4. Examine pending COCOM matters having China Committee interest, with the view of scheduling those matters for further consideration by the China Committee.
5. Review the existing system of monthly statistical reporting, with the view of considering possible modifications for the China aspect, having in mind that the items covered by the system are now under embargo to China and will be reflected only by zero figures (subject to whatever exports take place as exceptions).
6. Review the existing system of anti-diversion measures (such as end-use checks, import certificates, etc.), with the view of considering possible modifications for the China trade.

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